



UNIVERSITY OF SWAZILAND

SUPPLEMENTARY EXAMINATION PAPER

PROGAMME: BACHELOR OF SCIENCE IN AGRICULTURAL
ECONOMICS AND AGRIBUSINESS
MANAGEMENT YEAR III

COURSE CODE: AEM 308

TITLE OF PAPER: AGRICULTURAL FINANCE

TIME ALLOWED: TWO (2) HOURS

INSTRUCTION: ANSWER ALL QUESTIONS

**DO NOT OPEN THE PAPER UNTIL PERMISSION IS GRANTED BY THE
INVIGILATOR**

Question 1

With the use of examples, explain why developing countries such as Swaziland place such significance on the study of agricultural finance. (20 marks)

Question 2

Agricultural Value Chain Financing refers to the financial flows to those actors from both within the value chain and to those actors from outside as a result of their being linked to the value chain. Value chains in agriculture comprise a set of actors who conduct a linked sequence of value adding activities involved in bringing a product from its raw material stage to the final consumer. Using examples to demonstrate your point, explain the benefits of this financing approach in the agricultural sector. (20 marks)

Question 3

(a) There are several techniques that agribusiness firms can use to measure the projected financial worth of a project including the payback period. Explain the concept of the payback period and its limitations. (10 marks)

(b) Calculate the break even quantity for the following income statement for a maize production enterprise. Explain the outcome of your calculations. (Note that the distinction between fixed and variable costs have not yet been made) (10 marks)

INCOME STATEMENT FOR THE YEAR ENDING IN 2011

	<u>2012</u>
Sales	280,000
Expenses	
Seed	180,000
Fertilizer	20,000
Rent	4,000
Electricity	2,500
Salaries	12,000
Herbicides	1000
Maintenance	2,000
Insurance	7,000
Temporary labour	500
Insecticide	450
Interest on loan	3,200
Fuel	7,700
Total Expenses	240,350
Profit Before Tax	39,650
Taxation (0%)	0
Net Before Tax	39,650

Question 4

Discuss the general rules for obtaining and/or granting agricultural credit **(20 marks)**

Question 5

- (a) Discuss the risks that are faced by the horticulture industry in Swaziland. **(10 marks)**
- (b) Some of the risks faced by agricultural enterprises can be minimized by diversification. Discuss the concept of diversification using examples to distinguish between diversifiable and non diversifiable risks. **(10 marks)**